


Kansas

Corporation Commission

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Committee**

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The Costs & Effects of the RES

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Meeting the Kansas RES

The rules & regulations for the Kansas Renewable Energy Standard (RES) requires the filing of an annual report which requires, “the calculated percentage increase in the utility’s revenue requirements and retail utility rates that would be caused by compliance with the acts’ portfolio requirement for the year, as determined pursuant to K.A.R. 82-16-4.”

Calculated Rate Increases due to the RES

- KCP&L reported about a 1% rate increase due to Spearville
- Westar estimated a rate impact of 1.7% for their new purchase power agreements
- Because KEPCo, Sunflower, Empire, and Midwest did not add any renewable sources, this particular reporting requirement was moot for those companies this year.

The estimated rate increases for KCP&L and Westar are deceptive

By their nature, these types of estimations are comparisons of new wind with old fossil fuel generation.

This is deceptive because

- (1) New wind generation compares more favorably with new fossil fuel and nuclear generation
- (2) Existing coal generation is experiencing increasing cost pressures from environmental regulations

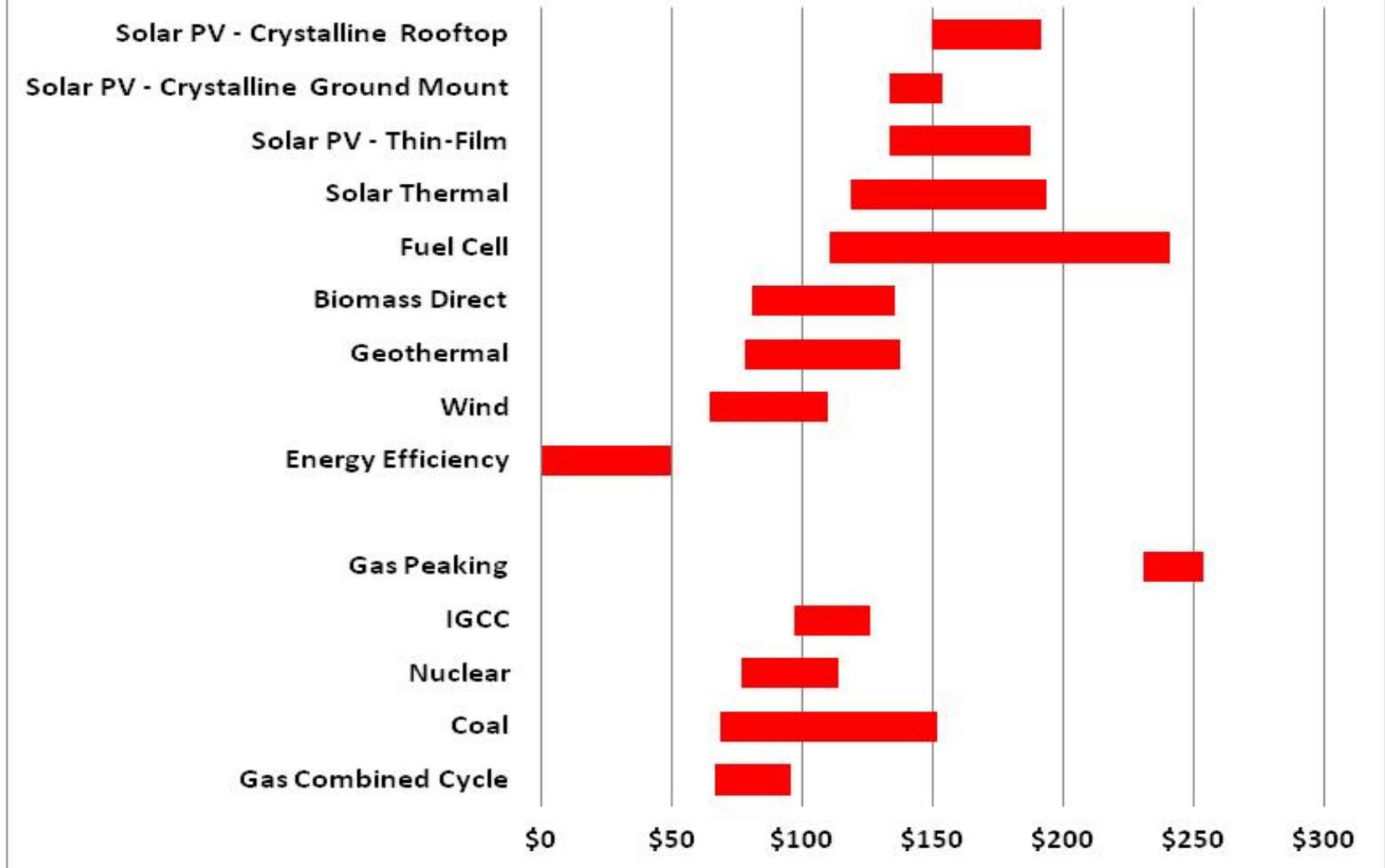
The RES increases Kansas renewable generation for Kansans

- Wind generation that is or will be exported to other states does not count towards the RES,
- And does not affect Kansas utility customer rates,
- But the construction and operation of these wind farms has positive economic effects on the citizens of Kansas.

Levelized Cost as a Metric for comparing generation costs

- The standard method for comparing the costs of different types of generation is the levelized cost of the generation.
- There are five basic cost components of generation: investment and installation cost, operations and maintenance (O&M) costs, fuel cost, life of the generating unit, and energy generated by the unit.

Lazard's Levelized Cost of Energy Generation: 2010



Levelized cost comparisons

- Comparisons of levelized costs of generation indicate that the cost of wind is about the same as new coal generation, new natural gas generation, and new nuclear generation.
- Kansas wind farms perform better than the national average
 - Kansas wind farms have higher capacity factors
 - Private wind farm developers in Kansas are signing PPAs in the \$29 to \$35 per MWh range